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August 22, 2007

Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED
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PUBLIC SERVICE
COMMISSION

Re: Surcharge Options

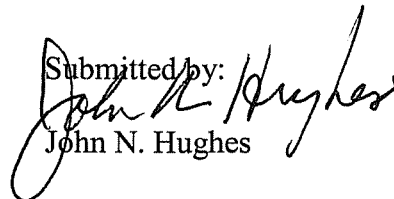
Dear Beth:

Northern Kentucky Water District (NKWD) provides comments in response to the Commission's meeting of August 16, 2007, dealing with the issues raised by the Order and Opinion of the Franklin Circuit Court, Case No. 06-CI-269, entered Aug. 1, 2007. NKWD supports the comments of the Kentucky Rural Water Association and the comments made by the representatives of the utility representatives at the August 16th meeting,

Northern believes option one, which provides that the Commission will proceed with cases as usual, pending the final outcome of the appeals process is the most reasonable. This option maintains the traditional regulatory oversight exercised by the Commission and follows existing law. To reverse decades of regulatory stability because of this circuit court decision gives it greater legal weight than appropriate and potentially creates situations that may deprive customers of prompt, cost effective service. For example, water main extensions funded with surcharges as well as main extensions pursuant to existing extension tariffs are in jeopardy of being halted due to the some interpretations of this Court decision.

NKWD cannot quantify the financial impact of the loss of adjustment and cost recovery mechanisms. However, the greater impact may be on the customer's costs, either in higher rates or extension connection fees.

NKWD appreciates the opportunity to provide these comments and is willing to assist the Commission and other utility groups in protecting the regulatory practices that have worked reasonably well for many years.

Submitted by:

John N. Hughes
Attorney for NKWD